

Message Text

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ACTION PM-04

INFO OCT-01 ISO-00 NEA-10 SS-15 INR-07 EB-07 IGA-01 L-03

SSO-00 INRE-00 SP-02 /050 W
----- 075925

O 031510Z SEP 75 ZFF-4
FM AMEMBASSY AMMAN
TO SECSTATE WASHDC IMMEDIATE 5525

S E C R E T SECTION 1 OF 2 AMMAN 5879

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FOR PM/VEST AND NEA/ARN - DAY

E.O. 11652: GDS
TAGS: MASS, JO, US
SUBJECT: ADDITIONAL CHARGES AGAINST JORDAN MAP

REFS: (A) STATE 207026 (B) AMMAN 4186 (C) MAP AMMAN 1730
(D) SECDEF 8429 (E) MAP AMMAN 2033

1. WE APPRECIATE TIME SPENT ON AND DETAIL PROVIDED IN
REF (A) TO WHICH THIS MESSAGE RESPONDS. WE ARE STILL,
HOWEVER, LEFT WITH CONCLUSION THAT DOD/ARMY ARE
PERSISTING IN TRYING TO DO A REAL SNOW JOB ON THIS
OPERATION. OUR VIEWS HERE ARE REINFORCED BY
FOLLOWING POINTS.

2. COMMENTS REFTTEL ON SALEABILITY OF DOD CHANGES
APPEAR TO MISS A POINT WE HAVE BEEN STRESSING FOR OVER
A YEAR. THESE ITEMS CANNOT BE CONSIDERED IN ISOLATION.
ONE YEAR AGO WE MADE CLEAR THE DAMAGE WHICH WOULD BE
DONE TO OUR POLITICAL INTERESTS BY CONSTANT ESCALATIONS
OF PRICES ARTICULATED BY FIELD GRADE OFFICERS AT MIDWEST
ARSENALS, UNCLEARED BY ISA OR STATE AND WHICH THEN
BECOME THE OBJECT OF A BARGAINING OPERATION WHICH WOULD
LEAVE A MIDEASTERN RUG MERCHANT GASPING. IN LARGE
PART IT IS DUE TO A FAILURE ON PART OF DOD'S PRICE

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ESTIMATORS TO DO THEIR HOMEWORK. (THE OPERATION

CONSTANTLY LEADS OUR ARAB FRIENDS, HOWEVER, TO CONCLUDE THEY ARE FOOTING THE BILL (MAKING UP THE LOSSES INCURRED BY DOD IN SEVERAL MAJOR EQUIPMENT SUPPLY OPERATIONS FOR THE ISRAELIS.) IN ANY EVENT SHIPMENT DELAYS AND PRICE INCREASES HAVE BECOME A WAY OF LIFE FOR ALL OF US. HOWEVER, TWO YEARS AFTER THE PROCESS HAS BEGUN IT SEEMS UNREASONABLE TO US THAT DOD CANNOT GET CLOSER THE MARK IN ESTIMATING POTENTIAL INCREASES FOR FUTURE SALES. AT LEAST THE PERCENTAGE OF ERROR MIGHT BE REDUCED. WE HAVE, OF COURSE, YET TO OBSERVE A PRICE DECREASE OR EARLY SHIPMENT; OUR ESTIMATORS AS A RESULT SHOULD BE ABLE MORE PRECISELY TO FOCUS THEIR MARGIN OF ERROR.

3. THIS PROBLEM REINFORCED AT MEETING BETWEEN KING AND SECRETARY MORNING SEPTEMBER 3 WHEN KING INTERPRETED SOME OF THESE PRICE AND DELIVERY PROBLEMS AS PART OF A SIGNAL FROM US ON NEW POLITICAL POSITION TOWARD JORDAN. SECRETARY OF COURSE MADE CLEAR THIS WAS NOT CASE AT ALL AND INDICATED HE WANTED TO DO SOMETHING ABOUT THESE ACTIVITIES WHICH CONSTANTLY REFLECT NEGATIVELY ON OUR POLITICAL POSTURE, A POSITION THEY ARE DESIGNED TO SHORE UP.

4. DOD SOLICITUDE FOR JORDAN'S PROBLEMS WITH "AS IS" CONDITION SHIPMENTS IS COMMENDABLE IF SOMEWHAT LATE AND NOT TO THE POINT OF THE TWO "AS IS" PROBLEMS WE HAVE HAD. ONE (M-60 TANKS) WAS GENERATED NOT BY JAF, BUT BY A VISITING SENIOR US OFFICER. THE OTHER CONCERNED TH MACHINE GUN MOUNTINGS AND MORTAR BIPODS FOR M-125 MORTAR CARRIERS. WITHOUT THESE ITEMS, THE COMBAT CAPABILITIES OF M-125 ARE SEVERLY LIMITED. WE DOUBT THAT OUR FORCES IN EUROPE HAVE THEIR ESC GREEN M-125 WITHOUT SUCH EQUIPMENT AND ARMY LATER READILY SUPPLIED THE MISSING ITEMS WITH THE EXCUSE THAT NO ONE TOLD OUR FORCES IN EUROPE THESE ITEMS WERE TO BE SENT TO JORDAN. NEITHER OF THESE POINTS JUSTIFIES A \$4.2 MILLION REHABILITATION CHARGE.

5. WITH REGARD TO \$4.2 MILLION FOR REHAB COSTS,
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THIS IS THE LEAST "SALEABLE" FOR REASONS WE OUTLINED PREVIOUSLY IN REFS (B) AND (C). WE WOULD REEMPHASIZE THE FOLLOWING.

A. IN REF (D) DASD NOYES INFORMED LTG BIN SHAKER THAT ALTHOUGH THERE WOULD BE COST INCREASES SOR SOME ITEMS, IN SPITE OF ATTEMPTS TO PROVIDE ACCURATE ESTIMATES, THEY WOULD NOT APPLY TO THE ITEMS DIVERTED

FROM US INVENTORY.

B. IN EFFECT ITEMS TO BE DIVERTED FROM INVENTORY
ARE RUNNING SIGNIFICANTLY HIGHER THAN PRICES ORIGINALLY
QUOTED AS INDICATED BELOW:

MAR 74 NEW COST	MAR 74 INV COSTS	AUG INV COSTS&REHAB PERCENTAGE	
000'S	000'S	000'S	INC
M109 275	125	190	56
M110 315	197	281	42
M88 440	169	239	41
M578 138	132	186	40

AT NO TIME WERE JORDANIANS IN THE TWO SUBSEQUENT MEETINGS
OF JMC GIVEN ANY INDICATION THAT REHAB COSTS WOULD BE ADDED
AND THAT THEY WOULD RANGE FROM 40 TO 56 PERCENT OVER
INVENTORY COSTS. THERE WAS NO REASON TO SUSPECT THAT
ARRANGEMENTS WOULD DIFFER IN ANY WAY FROM THOSE FOR
M125'S WHICH WERE DELIVERED IN ESC CONDITION GREEN
AT NO REPEAT NO CHARGE IN ACCORDANCE WITH ARRANGEMENTS
ORIGINALLY AGREED UPON.

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ACTION PM-04

INFO OCT-01 ISO-00 NEA-10 SS-15 INR-07 EB-07 IGA-01 L-03

SP-02 INRE-00 SSO-00 /050 W

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O 031510Z SEP 75 ZFF-4

FM AMEMBASSY AMMAN

TO SECSTATE WASHDC IMMEDIATE 5526

S E C R E T SECTION 2 OF 2 AMMAN 5879

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FOR PM/VEST AND NEA/ARN - DAY

6. COMMENTS RE THE TOW PRICE INCREASE ARE SUMMARIZED
IN REF (E). IN EFFECT, WE HAVE A 23 PERCENT INCREASE
SINCE 27 JUN 75. THIS JUMP ESPECIALLY SIGNALLED TO

SECRETARY SEPT 3 AND NATURALLY HAS CAUSED STRONG REACTION IN JORDAN. IF RISE IS CLEARLY AND CAREFULLY JUSTIFIED BY NEW CONTRACT OR OTHER SUCH HARD DATA, WE CAN BEGIN PROCESS OF GETTING JORDANIANS TO UNDERSTAND THE REASONS BUT THEN ONLY IF IT IS NOT COUPLED WITH \$4.2 MILLION REHAB CHARGE. HOWEVER THE CASE WILL HAVE TO BE AIRTIGHT AND RELATED TO EXPECTATIONS THAT WERE NOT FORESEEABLE JUNE 27, 1975 BEFORE WE BELIEVE JORDANIANS SHOULD BE ASKED TO ACCEPT IT.

7. SUPPORT COSTS FOR DRAGON SHOULD NOT CAUSE A PROBLEM. THE ANCILLARY EQUIPMENT WAS KNOWN TO BE EXCLUDED FROM LOA, AND JAF HAS BEEN REQUESTING AN LOA SINCE JUNE. OUR ONLY CONCERN IN THIS REGARD IS THE CONTINUED DELAY IN LOA PREPARATION SO THAT ABOVE EQUIPMENT CAN BE SHIPPED TO REASONABLY COINCIDE WITH DRAGON ARRIVAL. THE DOD RECORD IN FAILING TO PROVIDE LOA IS LAMENTABLE.

8. ACTION RECOMMENDED:

A. PROVIDE ISA WITH COPY OF REF (B) AND APPROPRIATE

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PORTIONS OF THIS CABLE AND REQUEST EXPEDITED REVIEW BY DEP SECDEF TO GET PROBLEMS ON ALL THREE ITEMS RESOLVED.

B. DETERMINE WHETHER PRICES FOR TOW FAIRLY PASS ALONG MANUFACTURER'S PRICE INCREASE TO CONSUMER OR ARE AN ARBITRARY US ARMY DECISION, SUCH AS WE EXPERIENCED NOT LONG AGO WITH TRUCK BUY. IF THEY ARE JUSTIFIABLY OF FORMER TYPE, I.E., A PASS ALONG OF A NEWLY NEGOTIATED CONTRACT OR CLEARLY LIKELY TO HAPPEN EVENTS, WE WILL RELUNTANTLY TRY THEM OUT ON GOJ.

C. ATTEMPT TO HAVE REHAB COSTS OF \$4.2 MILLION ELIMINATED AND EQUIPMENT PROVIDED ASAP, COMPLETE (WITH BLL AND ALL ANCILLARY GEAR) AND IN REASONABLE OPERATING CONDITION APPROXIMATING ESC CONDITION GREEN.

D. REQUEST THAT DOD INFORM US SOONEST OF ACTIONS ON THESE THREE ITEMS AFTER WHICH WE WILL REQUEST DIRECT APPROPRIATE FOLLOW-UP WITH JORDANIAN MILATT AT WASHINGTON BY SENIOR DOD OFFICIAL.

9. ON QUESTION OF WHAT GOJ HAS IN MIND FOR \$4.2M, WE EXPECT THEY MIGHT USE IT TO COVER:

A. EXTRA DRAGON SUPPORT EQUIPMENT AND TRAINING,

B. JUSTIFIABLE TOW COST INCREASES,

C. OTHER NOW UNFORESEEN PRICE ESCALATIONS WHICH
ARE ALMOST INEVITABLY GOING TO ARRIVE ON THE SCENE.

D. VARIOUS AMMO AND SPARE PARTS LINES THAT JAF
DESIRED SUBSTITUTED WHEN REDEYE DELETED FROM GRANT PROGRAM.

10. IN VIEW OF UNDER SECRETARY SISCO'S INTEREST
IN THIS MATTER, SUGGEST HE BE INFORMED OF ACTIONS
PROPOSED TO BE TAKEN IN RESPONSE TO THIS CABLE.
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